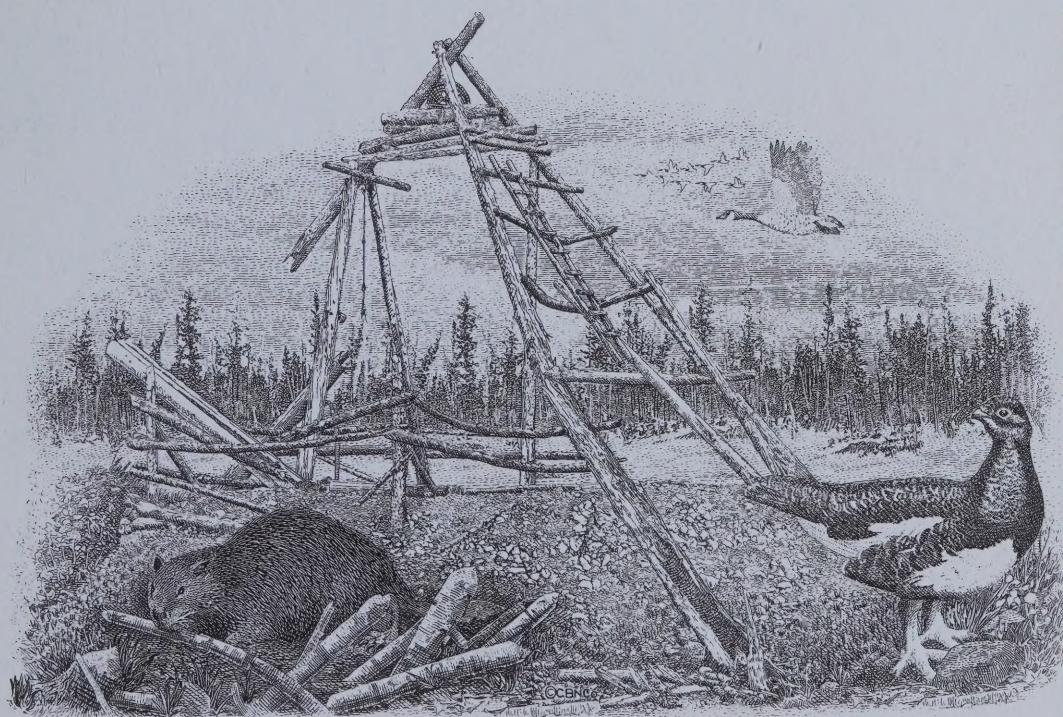


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# PINE POINT MINES LIMITED

## ANNUAL REPORT

Year Ended December 31, 1974





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# **PINE POINT MINES LIMITED**

Year Ended December 31, 1974

**ANNUAL REPORT**

## FINANCIAL HIGHLIGHTS

OPERATIONS (\$ thousand)	1974	1973
Total revenue	128,825	85,871
Net earnings	36,894	20,601
Income taxes	27,050	13,700
Capital expenditures	6,889	2,691
Dividends	24,840	16,937
FINANCIAL (\$ thousands)		
Working capital	32,827	17,868
Shareholders' equity	62,636	50,582
PER COMMON SHARE		
Net earnings	\$ 8.17	\$ 4.56
Dividends paid	\$ 5.50	\$ 3.75
Shareholders' equity	\$ 13.87	\$ 11.20
STATISTICAL		
Lead and zinc in ore mined (Thousands of short tons)	327	347

Incorporated under the laws of Canada, May 16, 1951

Head Office: Pine Point, N.W.T.

Mailing Address: c/o Cominco Ltd.,  
200 Granville Square, Vancouver, B.C.  
V6C 2R2

### DIRECTORS

F. E. Burnet	S. M. Rothman
G. H. D. Hobbs	J. H. Salter
M. H. Mason	J. B. Smith
R. A. MacKimmie, Q.C.	W. G. Wilson
W. M. Young	

### OFFICERS

J. H. Salter - - - - - President  
S. M. Rothman - - - - - Vice-President  
P. C. Stewart - - - - - Secretary

### TRANSFER AGENT AND REGISTRAR

The Royal Trust Company  
555 Burrard Street, Vancouver, B.C. V5B 3R7  
600 - 7th Avenue S.W., Calgary, Alberta T2P 0Y6  
Bay & King, Toronto, Ontario M5W 1P9

### AUDITORS

Thorne Riddell & Co. (formerly Thorne Gunn & Co.)  
Vancouver, B.C.



## **PINE POINT MINES LIMITED**

### **24TH ANNUAL REPORT OF THE DIRECTORS TO THE SHAREHOLDERS**

Your Directors are pleased to report satisfactory results from the operation of the Company's property at Pine Point, Northwest Territories during 1974. Cominco Ltd. continued to act as manager and agent for the Company.

#### **FINANCIAL**

Net earnings for 1974 were \$36,894,000 or \$8.17 per share compared with \$20,601,000 or \$4.56 per share for 1973. A marked improvement in earnings resulted from the reduction of zinc concentrate inventories by 37,000 tons and increases in concentrate prices. The dispute regarding the deductibility for tax purposes of the special transportation charge paid to Canadian National Railways has been settled in our favour.

Income taxes increased by over \$13 million to \$27 million.

Capital expenditures of \$6,889,000 were mainly for the purchase of the Conwest property, housing and mining equipment.

Dividends of \$5.50 per share were paid in 1974 compared with \$3.75 per share in 1973.

## **PINE POINT MINES LIMITED**

### **SALES**

Sales of concentrates were \$126,480,000 compared with \$85,229,000 in 1973. The increase results from substantial price increases together with an increase in volume of 34,000 tons of zinc concentrate over the previous year's level. Lead concentrate inventory was high due to the strike at Cominco's reduction plants at Trail and the lack of ready markets elsewhere.

Distribution expense increased by \$6.4 million due to higher volume of off-shore sales also caused by the strike situation at Trail.

### **OPERATIONS (1973 comparative data in brackets)**

Ore treated in the concentrator amounted to 4,135,000 (3,896,000) tons with an average grade of 2.5 (2.9)% lead and 5.3 (6.0)% zinc. Production amounted to 123,000 (130,000) tons of lead concentrate and 359,000 (371,000) tons of zinc concentrate. Year end inventories were 31,000 (25,000) tons of lead concentrate and 33,000 (69,000) tons of zinc concentrate. The Company mined from nine pits during the year with two abandoned at year end and one being prepared for production. The volume of overburden and waste handled was 7.6 (6.6) million tons. Testing of the continuous mining machine in the M-40 ore body progressed satisfactorily.

Cost performance was satisfactory in spite of strong inflationary pressures on the price of labour, fuel, equipment parts and reagents.

Comparative tests of trucks under service conditions were completed on two different types and eleven new 85-ton trucks have been ordered. The feasibility study of using a drag-line to reduce the cost of stripping was close to completion at year end. A decision on this project is dependent on an agreement for satisfactory rail rates.



Pine Point was granted Town status in April, 1974, 20 houses and 14 apartment units were constructed and the street paving program was 90% complete.

The use of fibreglass rail car covers commenced in 1975. These covers will protect our concentrates from moisture and dusting losses while enroute to destination.

The availability of suitable trained labour was restricted early in the year but currently the supply has improved. At year end 25 women were employed in the general work force and an apprenticeship program is progressing well with 39 employees enrolled. Our interest in providing employment for the native population has raised the number on our payroll to about 25% of the total.

Ore reserves at the end of the year were 39.5 (38.3) million tons with an average grade of 2.2 (2.3)% lead and 5.7 (5.7)% zinc. Exploration continued actively with an expenditure of \$1.3 million. New ore acquired by the purchase of the Conwest ore body was 1.4 million tons and exploration in the vicinity of producing pits was sufficient to offset the ore mined during the year and increase the year end reserves by 1.2 million tons.

Your Directors appreciate the fine efforts of the Cominco employees who managed and operated your property during 1974.

On behalf of the Board

J. H. Salter  
President

## PINE POINT MINES LIMITED

### STATEMENT OF EARNINGS AND EARNINGS REINVESTED IN THE BUSINESS

Year Ended December 31, 1974

(thousands of dollars)

	1974	1973
REVENUE		
Sales	\$126,480	\$ 85,229
Income from investments	2,345	642
	<u>128,825</u>	<u>85,871</u>
COSTS AND EXPENSES		
Distribution	32,055	25,644
Selling	303	243
Cost of product sold	23,441	17,479
General and administrative	2,157	1,616
Depreciation	3,457	3,222
Depletion	3,468	3,366
	<u>64,881</u>	<u>51,570</u>
EARNINGS BEFORE INCOME TAXES	63,944	34,301
INCOME TAXES	<u>27,050</u>	<u>13,700</u>
NET EARNINGS (\$8.17 per share; 1973 — \$4.56)	<u>36,894</u>	<u>20,601</u>
Earnings reinvested in the business at beginning of year	<u>21,421</u>	<u>17,757</u>
	58,315	38,358
Dividends (\$5.50 per share; 1973 — \$3.75)	<u>24,840</u>	<u>16,937</u>
EARNINGS REINVESTED IN THE BUSINESS AT END OF YEAR	<u>\$ 33,475</u>	<u>\$ 21,421</u>



## PINE POINT MINES LIMITED

### STATEMENT OF CHANGES IN FINANCIAL POSITION

Year Ended December 31, 1974

(thousands of dollars)

	1974	1973
<b>SOURCE OF WORKING CAPITAL</b>		
Net earnings	\$ 36,894	\$ 20,601
Add:		
Depreciation and depletion	6,925	6,588
Income taxes not currently payable	110	—
Funds from operations	43,929	27,189
Recovery of income taxes on reassessment	860	—
	<u>44,789</u>	<u>27,189</u>
 <b>APPLICATION OF WORKING CAPITAL</b>		
Mining property	3,504	185
Less long-term portion payable under agreement	2,100	—
	<u>1,404</u>	<u>185</u>
Plant and equipment	3,384	2,506
Repayment of long-term debt	202	198
Dividends	24,840	16,937
	<u>29,830</u>	<u>19,826</u>
 <b>INCREASE IN WORKING CAPITAL</b>	 14,959	 7,363
 <b>WORKING CAPITAL AT BEGINNING OF YEAR</b>	 17,868	 10,505
<b>WORKING CAPITAL AT END OF YEAR</b>	<u><u>\$ 32,827</u></u>	<u><u>\$ 17,868</u></u>



# PINE POINT M

(Incorporated under the laws of the State of Nevada)

## BALANCE SHEET AS OF DECEMBER 31, 1974

(thousands of dollars)

	1974	1973
<b>CURRENT ASSETS</b>		
Cash and short-term investments	\$ 23,942	\$ 9,767
Trade accounts receivable (note 2)	19,427	16,109
Inventories		
Concentrate	3,395	3,976
Stores and materials	2,742	1,866
Prepaid expenses	4,240	2,844
	<u>\$ 53,746</u>	<u>\$ 34,562</u>
<b>INCOME TAX REASSESSMENTS UNDER APPEAL</b>	<u>—</u>	860
<b>FIXED ASSETS</b>		
Mining property, plant and equipment, at cost	81,517	74,643
Accumulated depreciation and depletion	44,734	37,824
	<u>36,783</u>	<u>36,819</u>
	<u>\$ 90,529</u>	<u>\$ 72,241</u>

Approved by the Board

J. H. SALTER, Director

W. G. WILSON, Director



# PINE POINT MINES LIMITED

(In accordance with the laws of Canada)

DECEMBER 31, 1974

(In thousands of dollars)

	1974		1973	
<b>CURRENT LIABILITIES</b>				
Accounts payable and accrued liabilities	\$ 4,977		\$ 6,303	
Income taxes	15,040		10,189	
Long-term debt due within one year	902	\$ 20,919	202	\$ 16,694
<b>LONG-TERM DEBT</b>				
Agreements to purchase mining properties, without interest, payable in annual instalments of \$895,000 in 1975 and 1976 and \$700,000 in 1977 and 1978	3,190		585	
Housing mortgages	176		182	
	3,366		767	
Less portion due within one year	902	2,464	202	565
<b>INCOME TAXES PROVIDED FOR BUT NOT CURRENTLY PAYABLE</b>		4,510		4,400
<b>SHAREHOLDERS' EQUITY</b>				
Capital:				
Authorized — 5,000,000 shares of no par value				
Issued and fully paid — 4,516,363 shares	29,161		29,161	
Earnings reinvested in the business	33,475	62,636	21,421	50,582
		\$ 90,529		\$ 72,241

## AUDITORS' REPORT TO THE SHAREHOLDERS OF PINE POINT MINES LIMITED

We have examined the balance sheet of Pine Point Mines Limited as at December 31, 1974 and the statements of earnings and earnings reinvested in the business and changes in financial position for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these financial statements present fairly the financial position of the company as at December 31, 1974 and the results of its operations and the changes in its financial position for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Vancouver, B.C.  
February 12, 1975

THORNE GUNN & CO.  
Chartered Accountants

## PINE POINT MINES LIMITED

### NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 1974

#### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### (a) Inventories

Inventories of concentrate are valued at the lower of cost (determined on the monthly average method) and net realizable value. Inventories of stores and operating supplies are valued at cost less appropriate allowances for obsolescence.

##### (b) Depreciation

The company computes depreciation on each year's net expenditures on plant and equipment on a straight-line basis over thirteen years which is related to the estimated life of the ore bodies.

##### (c) Depletion

Mining property and development expenditures are amortized against earnings by charges for depletion related to the estimated life of the ore bodies. Expenditures on general exploration are charged against earnings as incurred.

#### 2. TRADE ACCOUNTS RECEIVABLE

	1974	1973
	(thousands)	
Shareholder, Cominco Ltd.	\$ 2,912	\$ 5,600
Affiliated companies	1,996	7,873
Other	14,519	2,636
	<u>\$19,427</u>	<u>\$16,109</u>

#### 3. DIRECTORS' AND OFFICERS' REMUNERATION

In 1974 total remuneration of \$21,300 was paid to nine (all) directors. The three officers received no remuneration from the company; two officers were also directors.



## FIVE-YEAR SUMMARY

(thousands of dollars, except per share statistics)

	1974	1973	1972	1971	1970
<b>OPERATIONS</b>					
Lead concentrate sales (tons)	116,505	131,427	120,317	106,817	142,271
Zinc concentrate sales (tons)	395,334	361,730	337,045	433,513	442,799
Ore sales (tons)	—	—	—	21,531	74,214
Revenue	\$ 128,825	\$ 85,871	\$ 51,781	\$ 54,908	\$ 68,452
Net earnings	36,894	20,601	7,302	11,958	20,784
Income taxes	27,050	13,700	5,100	2,200	4,500
Dividends	24,840	16,937	15,807	11,291	40,647
Depreciation and depletion	6,925	6,588	6,098	6,351	6,284
Capital expenditures — net	6,889	2,691	2,720	1,289	2,175
<b>FINANCIAL POSITION</b>					
Working capital	\$ 32,827	\$ 17,868	\$ 10,505	\$ 15,738	\$ 10,015
Fixed assets — net	36,783	36,819	40,716	44,094	49,156
Shareholders' equity	62,636	50,582	46,918	55,948	55,281
<b>PER SHARE</b>					
Net earnings	\$ 8.17	\$ 4.56	\$ 1.62	\$ 2.65	\$ 4.60
Dividends paid	5.50	3.75	3.50	2.50	9.00
Shareholders' equity	13.87	11.20	10.39	12.39	12.24
<b>OTHER</b>					
Number of shareholders	8,422	7,291	8,219	8,770	8,607
Number of shares outstanding	4,516,363	4,516,363	4,516,363	4,516,363	4,516,363









